

## Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

OIC-04 AGR-20 SS-20 NSC-07 L-03 H-03 OPIC-12 DRC-01

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7025

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, EC, US

SUBJ: US-EC CONSULTATIONS: DETAILED DISCUSSION OF  
TRADE, INVESTMENT, LDC POLICY AND RAW MATERIALS  
COMMITTEE II, JUNE 6, 1974

1. SUMMARY: COMMITTEE II CONCENTRATED ON TRADE AND  
INVESTMENT AND IN A JOINT SESSION WITH COMMITTEE I  
DISCUSSED POLICY WITH REGARD TO LDCS AND RAW MATERIALS.  
THE DISCUSSION WAS AMICABLE AND REFLECTED CONSIDERABLE  
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AGREEMENT BETWEEN THE TWO SIDES. PARTICULAR ATTENTION

WAS GIVEN TO THE PROSPECTS FOR THE MTNS, THE TRA, AND TACTICS FOR THE JULY TNC MEETING. AMBASSADOR MALMGREN ALSO NOTED THAT WE HAVE THOUGHT OF THE MTNS AS THE PROPER FRAMEWORK IN WHICH TO APPROACH THE RAW MATERIAL/ SHORT SUPPLY ISSUE. THE EC REPRESENTATIVES WERE PLEASED AT THE PROSPECT FOR THE TRA BUT WERE SOMEWHAT LESS CERTAIN THAN THE US SIDE REGARDING THE POSSIBILITIES FOR OVERALL SOLUTIONS TO THE RAW MATERIALS PROBLEM. THE GROUP SHOWED CONSIDERABLE AGREEMENT ON THE PHASES THROUGH WHICH THE WORLD FOOD CONFERENCE SHOULD PROCEED. ON INVESTMENT, THE EC SIDE STRESSED THE POLITICAL PRESSURES GOVERNMENTS FACED IN TRYING TO MAINTAIN OR ACHIEVE A LIBERAL INVESTMENT POLICY, BUT BOTH SIDES AGREED THAT FURTHER OECD WORK ON THIS SUBJECT WAS DESIRABLE. AMBASSADOR MALMGREN SUGGESTED THAT THE TWO SIDES SEEK TO RENEGOTIATE THE OLD CHICKEN WAR DISPUTE. THE EC SIDE WAS RECEPTIVE TO THIS PROPOSAL, BUT FELT THAT THE RENEGOTIATION SHOULD BE APPROACHED CAUTIOUSLY AND WITH DISCRETION. MALMGREN ALSO WARNED THE EC TO ACT QUICKLY, BOTH ON THE MORATORIUM ON APPLICATION OF ITS CERTIFICATION REQUIREMENTS TO US WINE AND ON COMMENTING ON THE PROPOSED US BOTTLE SIZE REGULATIONS. THE GROUP AGREED ON FOLLOW-UP DISCUSSION ON TNC PLANNING, WFC/AGRICULTURAL ISSUES AND INDUSTRIAL POLICY. END SUMMARY.

2. ON JUNE 6 COMMITTEE II OF THE US-EC CONSULTATIONS COVERED ISSUES IN THE FIELDS OF TRADE AND INVESTMENT, AND LATER IN A JOINT MEETING WITH COMMITTEE I DISCUSSED RAW MATERIALS AND POLICY TOWARDS LESS DEVELOPED COUNTRIES. MALMGREN AND HIJZEN LED THE DISCUSSION AND WERE JOINED BY HARTMAN AND WELLENSTEIN IN COMBINED SESSION. THE DISCUSSION WAS BOTH OPEN AND FRIENDLY AND REFLECTED A VERY LARGE MEASURE OF AGREEMENT ON MOST OF THE ISSUES DISCUSSED. IN CONTRAST TO SOME PREVIOUS CONSULTATIONS, THE STRESS WAS ON MULTILATERAL PROBLEMS RATHER THAN BILATERAL ISSUES.

3. TRADE REFORM ACT AND MTNS. AMBASSADOR MALMGREN REPORTED THAT THE SENATE FINANCE COMMITTEE HAD NOW BEGUN MARKUP SESSIONS ON THE TRADE REFORM ACT. THOUGH THE TIMETABLE LIMITED OFFICIAL USE

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FOR THE BILL WAS DIFFICULT TO PREDICT, HE WAS BASICALLY OPTIMISTIC ABOUT ACTION IN JULY. THE 24:6 SETTLEMENT WAS VERY HELPFUL IN MEETING CERTAIN SPECIFIC SENATE CONCERNS. EVEN SENATOR HARTKE HAD EXPRESSED THE BELIEF THAT A TRADE BILL WOULD BE PASSED.

4. HIJZEN WELCOMED MALMGREN'S REPORT AND SAID THAT THE EC ITSELF WAS NOW PREPARING A PAPER, TO BE SUBMITTED TO

MINISTERS LATER THIS MONTH, WHICH WOULD FOLLOW ON THE "OVERALL APPROACH" OF LAST SUMMER. THE EC WAS ATTEMPTING TO STAY IN STEP WITH THE US IN ITS PREPARATIONS FOR THE MTNS.

5. HIJZEN NOTED THAT THE PREPATORY WORK FOR THE NEGOTIATIONS IN GENEVA HAD BEEN USEFUL, IF QUIET. HE THOUGHT THAT IT MIGHT BE USEFUL FOR THE US AND THE EC TO GET TOGETHER A DAY OR TWO BEFORE THE TNC MEETING OF MID-JULY TO PLAN FOR THE FUTURE. MALMGREN AGREED TO THIS AND WENT ON TO NOTE THAT IF THE TRA WAS THEN AT A CRITICAL STAGE, IT WOULD BE USEFUL TO HAVE A POSITIVE TNC MEETING GENERATE PRESSURE FOR ACTION.

6. MALMGREN SUGGESTED THAT CERTAIN SPECIFIC ISSUES SOON NEED TO BE LOOKED AT SERIOUSLY FOR FUTURE ACTION, SUCH AS SUBSIDIES AND COUNTERVAILING DUTIES. THERE IS A CASE FOR TRYING TO IMPLEMENT THE STANDARDS CODE IN ADVANCE OF THE REST OF THE MTN SETTLEMENT AS A TEST USE OF THE TRA VETO PROCEDURE.

7. BOTH SIDES AGREED THAT GROUPS ON SAFEGUARDS AND SECTORS WOULD BE FORMED, THE EC PROPOSING THAT THEY NOT MEET UNTIL AFTER THE SUMMER HOLIDAYS.

8. RAW MATERIALS; UNGA SPECIAL SESSION. HARTMAN STATED THE US VIEW THAT MEETINGS LIKE THE UNGA SPECIAL SESSION WERE NOT PRODUCTIVE. WELLENSTEIN AGREED, BUT WAS SKEPTICAL ABOUT THE POSSIBILITY OF AVOIDING REPETITION. MALMGREN FELT LDCE SHOULD CONCENTRATE ON MEANS TO FOSTER THEIR DEVELOPMENT OTHER THAN BY RAISING RAW MATERIAL PRICES. THE US HAD BEEN TRYING TO PERSUADE COUNTRIES LIKE BRAZIL OF LIMITED OFFICIAL USE

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THIS. IN GENERAL, THE US WOULD LIKE THE MTNS TO TAKE ON THE PROBLEM OF WHICH GENERAL OBLIGATIONS EXPORTERS SHOULD UNDERTAKE TO RECIPROCATATE FOR IMPORT ACCESS.

9. WELLENSTEIN AND MEYNELL WERE SOMEWHAT PESSIMISTIC ABOUT AN OVERALL APPROACH AND SUGGESTED THAT MANY COMMODITIES HAD TO BE APPROACHED SEPARATELY. MALMGREN DID NOT THINK THAT THESE TWO APPROACHES WERE CONTRADICTORY. BOTH MIGHT BE NECESSARY. GENERAL EXPORT OBLIGATIONS MIGHT ENTAIL A LESS SPECIFIC REGIME THAN EXISTS ON THE IMPORT SIDE.

10. HIJZEN THOUGHT IT WOULD BE GOOD FOR THE US AND THE EC TO COMPARE NOTES ON THIS SUBJECT AND TO GET INTERNATIONAL DISCUSSION UNDERWAY IN THE MTNS. HOWEVER, IT SHOULD BE

TREATED AS A SEPARATE PROBLEM, NOT AS PART OF THE DISCUSSION  
OF NTBS.

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11. INSTITUTIONAL PROBLEMS OF THE GATT. THE TWO  
SIDES AGREED THAT LONG'S PROPOSAL FOR A FORMAL STEERING  
GROUP IN THE GATT SHOULD BE LEFT AS THAT--HIS PROPOSAL.  
THE EC NOTED THAT IN ANY CASE, THE ABSENCE OF SUCH A  
GROUP WOULD NOT, IN ITS VIEW, BE A REASON FOR  
TRANSFERRING GATT COMPETENCE TO THE IMF.

12. WORLD FOOD CONFERENCE. A LENGTHY DISCUSSION OF THE

WORK LEADING UP TO THE WORLD FOOD CONFERENCE PRODUCED  
AGREEMENT THAT (A) THERE SHOULD BE FURTHER BILATERAL  
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DISCUSSION BEFORE THE THIRD PREP COM FOR THE WORLD FOOD  
CONFERENCE; (B) THERE WAS NO GREAT DIFFERENCE BETWEEN  
THE TWO SIDES ON WHAT THE CONFERENCE SHOULD COVER; AND  
(C) THAT THE EC HAD PERFORMED POORLY WITH REGARD TO THE  
FOOD AID CONVENTION, AND SHOULD DO BETTER. HIJZEN AND  
MALMGREN AGREED ON THE NEED FOR US-EC CONSULTATIONS ON  
THE RELATED ISSUES OF WFC, MTN, FOOD SECURITY AND  
OTHER RELATED PROBLEMS.

13. INVESTMENT. HIJZEN NOTED THAT THE US APPROACH WAS  
TO SEEK INVESTMENT LIBERALIZATION FIRST AND WORRY ABOUT  
THE EXCEPTIONS LATER. EUROPEANS TENDED TO CONCENTRATE  
ON THE EXCEPTIONS AND TO WONDER WHETHER THEY WERE NOT  
MORE IMPORTANT THAN THE OVERALL RULE. FURTHERMORE,  
EUROPEAN GOVERNMENTS HAD TO TAKE NOTE OF POLITICAL  
OPPOSITION TO THE BEHAVIOR OF MULTINATIONAL CORPORATIONS.  
NEVERTHELESS, THE EC WAS IN AGREEMENT WITH THE US THAT  
FURTHER WORK ON INVESTMENT IN THE OECD XCSS WAS USEFUL AND  
DESIREABLE.

14. RENEGOTIATING THE CHICKEN WAR. AMBASSADOR MALMGREN  
SAID THAT DURING THE 24:6 NEGOTIATIONS SEVERAL EC  
MEMBER STATES HAD EXPRESSED INTEREST IN RENEGOTIATING  
THE CHICKEN WAR. THE US WAS NOW PREPARED TO RE-EXAMINE  
THE WHOLE ISSUE, ON A RECIPROCAL BASIS. WHILE THE US  
REALIZED THAT PATTERNS OF TRADE AND PRODUCTION HAVE  
CHANGED, IT WOULD SEEK CONCESSIONS IN THE AGRICULTURAL  
FIELD. ON THE OTHER HAND, WE WERE AWARE THAT  
JAPAN, NOT GERMANY, WAS NOW THE COUNTRY PRINCIPALLY  
INTERESTED IN EXPORTING TRUCKS TO THE US. HIJZEN AND  
WELLENSTEIN RESPONDED BY AGREEING TO THE IDEA OF  
CONSIDERING THE RENEGOTIATION OF THE CHICKEN WAR PACKAGE,  
BUT STRONGLY URGED THAT THERE BE NO PUBLICITY GIVEN,  
AT LEAST TO THE EARLY STAGES OF THIS PROCESS. AMBASSADOR  
MALMGREN RESPONDED THAT SOMETHING PUBLIC WOULD HAVE TO  
BE SAID AND PROPOSED THAT THIS POINT BE FURTHER DISCUSSED.

15. WINE. AMBASSADOR MALMGREN NOTED THAT DELAY IN  
EXEMPTING THE US FROM THE EC WINE CERTIFICATION  
STANDARDS PLAYED INTO THE HANDS OF THOSE WHO WISHED  
TO RESTRICT US IMPORTS OF WINE. HE FURTHER NOTED THAT EC  
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FAILURE TO COMMENT PROMPTLY ON THE PROPOSED US BOTTLE  
SIZE REGULATIONS MIGHT LEAD TO THE SHUTTING OUT OF A  
LARGE PORTION OF EUROPEAN EXPORTS TO THE US. HE  
URGED THE EC, IN ITS OWN INTEREST, TO ACT QUICKLY ON  
BOTH POINTS.

16. OTHER ISSUES. KROHN, THE COMMISSION'S DIRECTOR  
GENERAL FOR DEVELOPMENT AND COOPERATION, SAID THAT AT  
SOME FUTURE MEETING, PERHAPS IN CONNECTION WITH THE CHEYSSON  
VISIT TO WASHINGTON, IT WOULD BE GOOD TO DISCUSS OVERALL  
POLICY TOWARDS LDCS AND THEIR DEVELOPMENT. THIS,  
HOWEVER, WAS NOT THE RIGHT MOMENT TO DO SO. SOMEWHAT  
SIMILARLY IT WAS AGREED THAT YET ANOTHER GENERAL  
DISCUSSION OF INDUSTRIAL POLICY WOULD NOT BE USEFUL,  
BUT THAT INSTEAD A MEETING OF US AND EC EXPERTS ON  
THE SPECIFICS OF THIS SUBJECT SHOULD BE HELD BEFORE  
THE NEXT SEMI-ANNUAL CONSULTATIONS. FINALLY,  
AMBASSADOR MALMGREN NOTED US APPRECIATION FOR  
THE COOPERATIVE ATTITUDE DISPLAYED BY THE EC IN THE  
GATT CONSULTATIONS ON RULES OF ORIGIN. GREENWALD

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## Message Attributes

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**TAGS:** ETRD, EC, US, EEC, WORLD FOOD CONFERENCE, (MALMGREN)  
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